

May 14, 2009



TRANSCRIPT

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MONTGOMERY COUNTY COUNCIL

PRESENT

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Councilmember Roger Berliner, Vice President

Councilmember Marc Elrich

Councilmember Nancy Floreen

Councilmember George Leventhal

Councilmember Valerie Ervin

Councilmember Michael Knapp

Councilmember Duchy Trachtenber



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1 COUNCIL PRESIDENT ANDREWS:

2 Good morning, everybody, and welcome to a meeting of the County Council. I expect that
3 this worksession this morning will be fairly brief. It is a worksession on the reconciliation of
4 the amended FY09 through 14 Capital Improvements Program for Park and Planning
5 bonds, recordation tax premium, school recordation tax, transportation and school impact
6 taxes, current revenue, and general obligation bonds, and, as the packet indicates, there
7 really are no major changes to the capital budget. There are a lot of adjustments to reflect
8 changes in schedules, but I want to say that, as always, our Deputy Council Staff Director,
9 Glenn Orlin, has done very thorough work, and we very much benefit from his expertise
10 on the capital budget and transportation matters in general. So with that, I'm gonna turn it
11 over to Dr. Orlin to hit the highlights of this reconciliation of the capital budget.
12

13 GLENN ORLIN:

14 Well, thank you very much. I beg your indulgence. The thing I do want to say is that I
15 appreciate the kind words, but, really, this couldn't have happened without the help of all
16 the folks in the agencies, the capital budget managers who freely gave up the information
17 about projects that have been delayed or deferred because of production reasons and
18 actually went back and scoured individual projects and found how money could be shifted
19 within projects without affecting the delivery, and their names are at the bottom of the first
20 page, and I really appreciate...
21

22 COUNCIL PRESIDENT ANDREWS:

23 I thank you for saying that, and I think we have some of those folks here today, I believe,
24 in the room, so thank you all.
25

26 GLENN ORLIN:

27 Absolutely, and when you look at the spreadsheets on Circles 1 through 4, especially 3
28 and 4, you'll see lots of technical adjustments. This is coming from them, and this doesn't
29 work without them. Basically, the bottom line in terms of what this reconciliation does is,
30 it's does bring all of the spending the Council has done, planning to do for the rest of the
31 6-year period, within the spending affordability guidelines that you set, and it also is
32 generally within the new revenue forecasts that you're using for current revenue,
33 particularly for recordation taxes and impact taxes, which are considerably lower than
34 what you would assume the beginning of the year, so you're actually filling in funding for
35 revenue that we're not getting, which is really very important, including \$11.65 million of
36 state aid that we're not getting for school construction, so those school projects will be
37 delayed as a result of this reconciliation. In fact, no project is delayed as a result of this
38 acceleration--this reconciliation. It also frees up just short of \$1.4 million for the operating
39 budget, should you choose to use it. My guess is, you will.
40



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1 UNKNOWN SPEAKER:

2 You think?

3
4 GLENN ORLIN:

5 "You think?" he says. Just very quickly, Park and Planning bonds, we're OK. Recordation
6 tax premium, this reconciliation assumes that the Council is going to approve the
7 recommendation, the unanimous recommendation, of the MFP Committee, which is that
8 the additional money that we think we're gonna be getting in that source of revenue in
9 fiscal years 11 and 12 will not be used for the operating budget, but will be used for county
10 government capital projects, half of it, and half of it for rental assistance, but particularly,
11 the half of it for county government projects is used in this reconciliation to offset some
12 bond funding in the Rural & Residential Road Rehabilitation project. The school
13 recordation tax revenue is down. I'll go through these 3 very quickly, these next 3 revenue
14 sources. We had originally assumed back last May that it'd be about \$25 million in school
15 recordation tax funds in FY09 and 26.6 in FY10. You saw the first 6 months of collections
16 back in February, looked at the first 6 months, and said, "We're not getting that," and so
17 you reduced down your assumption down to 20 million for FY09 and FY10, and it looks
18 like now we're only gonna get about 18 million FY09, so this reconciliation fills in that
19 missing \$2 million gap so that we can continue with the funding of those projects. School
20 impact tax, same kind of story except a bit more dire. We had assumed \$17.2 million in
21 FY09 and \$19.2 million in FY10. Last February, based on the first 6 months, you reduced
22 those estimates down to 8 million--I'm sorry, back down to 11 million in 09 and 11 million
23 in 10, and you've been using that number ever since. It looks like we're gonna get about 8
24 million in FY09, so we need to fill in a \$3 million hole there. The transportation impact tax--
25 the direst of all, if that's a word--the approved CIP assumed about 19.8 million in 09 and
26 13.2 in FY10, back in February reduced down those estimates all the way down to 7
27 million for FY09 and 10 million for FY10, and it looks like now we're gonna get maybe 3
28 million in FY09 from this tax. This reconciliation takes care of almost all of that. I couldn't
29 get down below 3.2, so my guess is, we're gonna be still having a shortfall in FY09. It'll be
30 a matter of a couple hundred thousand rather than millions. You'll see a lot of things in the
31 pack about substitutions, by the way. That's merely trying to get the dollars in the right
32 categories. It doesn't change the scope of any project. It doesn't change the schedule for
33 any project. It just changes the color of the money in the project. Current revenue, general
34 fund current revenue, also there's some substitutions back and forth here, and I guess the
35 only important point to note is that you recall there are some projects that the Executive
36 has recommended funding in the Pedestrian Safety program with speed camera revenue,
37 and one of the things you pointed out at the time was that we could, in some of those
38 projects, fund them with general obligation bonds instead of speed camera revenue, and
39 the Council's decision, the committee and the Council's decision, was to defer until now to
40 see whether or not we needed to do that. Basically, based on the assumption, at least



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1 today, that the MS fee ????? is not going to pass, that you're gonna need to find funds to
2 supplant or to pay for things that the MS fee would be paying for in Public Safety, and so
3 there's \$1.2 million-- well, \$2,460,000--in 3 pedestrian safety projects which the Executive
4 had proposed with current revenues from the speed cameras. Instead, we're saying, "Use
5 bonds for those. Free up that money to be used for other public safety initiatives that are
6 above and beyond what the county is doing right now, whether it's fire apparatus or
7 something else. This also frees up, as I mentioned earlier, about \$1.4 million for the
8 operating budget. General obligation bonds, the one project we couldn't do as well as the
9 Executive did, but I think you should recognize this as still a positive thing. The
10 Burtonsville Access Road, which was scheduled in the approved CIP to be starting in
11 FY15, you would be accelerating by 3 years, to FY12. The Executive had recommended
12 going to FY10, but-- I'm getting the-- You have a question?

13
14 COUNCILMEMBER KNAPP:

15 Yeah. We have a question.

16
17 GLENN ORLIN:

18 Oh, I'm sorry.

19
20 COUNCILMEMBER KNAPP:

21 You were doing so well. I just wanted to make sure I understood. So, we're gonna free up
22 speed camera money for additional public safety spending because we're gonna use G.O.
23 bond funding for pedestrian safety appropriate--

24
25 GLENN ORLIN:

26 What's important is in the operating budget that there's \$2,640,000, when you're closing
27 the gap there, that that particular current revenue has to be used for the part of the
28 operating budget you're gonna approve, which is for new public safety...

29
30 COUNCILMEMBER KNAPP:

31 I know. That's why I'm asking that question.

32
33 GLENN ORLIN:

34 In other words, we have to make sure that happens, and Linda McMillan and I are
35 watching that very closely, making sure that happens.

36
37 COUNCILMEMBER KNAPP:

38 OK. Good. Just wanted to understand. Thank you.

39
40 GLENN ORLIN:



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1 All right. So, the Burtonsville Access Road, we're accelerating by 3 years rather than 5.
2 There's some funding within the Judicial Center Annex and Montrose Parkway East
3 projects, which we're deferring till later within the same period of their projects. So, we're
4 not delaying the projects with this, but we're showing some ways a little further later in the
5 CIP--the construction period rather than earlier, and we're also recognizing that there's at
6 least a one-year delay in Detention Center Reuse. It was supposed to have started this
7 fiscal year. It's not, and so this delays that schedule out a year. The bond levels, if you
8 recall, the existing guidelines were \$300 million a year--FY09, 10, all the way through 14--
9 for a total of \$1.8 billion in the 6 years. Back in February, you amended the guidelines for
10 \$320 million in FY09, 320 million FY10, and-- most importantly now, actually-- the 6-year
11 total of \$1,840,000,000. After this reconciliation, it appears as if we don't need the extra
12 bond capacity in FY09 and we only need half of the extra bond capacity in FY10. That's
13 good because there's debt service in your operating budget, which you'd have to add over
14 what the Executive recommended to pay for all of this, and we've been able to reduce that
15 now by, quickly doing the math, \$825,000 by not going all the way to 320 in both years,
16 and we don't need to. The funding is there to do it. However, we do need to have the
17 capacity little later, in FY11 and 12, so in FY11, we're recommending going to \$315
18 million--you had assumed 300--in FY12, \$325 million. You'd assumed 300. In FY13, we
19 actually have a dip, so we're assuming 290, and FY14 would still be 300. Because of the
20 10% PAYGO policy, the PAYGO numbers in FYs 11, 12, and 13 are adjusted up and
21 down, depending whether the bonds are going up and down, but otherwise, that is what is
22 recommended as part of this reconciliation to make this work, and then finally--actually the
23 biggest piece of this, but it's not really a policy decision, really--it's recognizing all of these
24 production delays that have happened since the PDFs were first created 6, 9 months ago.
25 That's something you have to remember. When this happens every year, you think,
26 "Where the heck did this money come from?" The projects you look at in CIP--that get
27 sent over in January, particularly--have been developed, maybe, in the fall or maybe even
28 the summer before, and there are some updates, but a lot can happen in 6 to 9 months,
29 and there's a huge CIP, and only some of these projects are showing here as being
30 deferred, so you shouldn't get the idea that wholesale deferrals are slowdowns in these
31 projects, but there are gonna be some that happen, and there are some here, so it's really
32 more a matter of timing, that at this time, we can recognize things that the Executive didn't
33 have the information on back 6 months ago, and so there's a lot of that, and you see on
34 Circle 3 and 4 a lot of what's called technical adjustments, and one thing I'd highlight
35 within that--sort of a new category, if you will--the college is changing its policy in terms of
36 how it's going to be funding design of its new projects. For the last several years, to just
37 sort of jumpstart things, they're using 100% bond funds, but starting next year, and now
38 starting this reconciliation for projects that are at the back end of the CIP, projects that are
39 in design only are now gonna be assumed to be funded half by the state and half by the
40 county because that's really where the college has gone, so that saves some money in

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1 the far outer years. The capital reserve that you end up with is-- It's a lot lower than the
2 Executive's, but in closer inspection, it's really basically the same because what you've
3 done in the CIP is to recognize the higher costs for the Silver Spring Library, the North
4 County Maintenance Depot, and you've now funded the first payment for the GE Tech
5 Park, at least in bonds, in FY14, all of which were not in what the Executive sent over,
6 which is nothing wrong with that. It's just that it's different, and so you're essentially
7 programming explicitly money for projects that you know are going to happen for those 3,
8 and that's why your reserve will be smaller, but it's basically by that difference. The
9 starting reserve, I'm a little disappointed with, frankly. From our standpoint in balancing
10 this thing out, it's little lower than what I'd like. It's \$12.8 million. The Executive had 15.7,
11 which would've been a nice, healthy reserve, but 12.8 isn't out of line with what we've had
12 in the past. It's sort of at the mid-to-lower end of the range, and I am a bit concerned about
13 the reserves we have in fiscal years 11 and 12 because those are the first two years the
14 next CIP. They're better than what the Executive had, but not much. It's, like, \$20 million in
15 each of those two years, and, given the fact that we're already assuming the higher bond
16 levels in 11 and 12 means the next year-- One of the things we always hear is, "Oh, well,
17 next year, we'll just revise the guides. We'll raise them up." Well, we're raising them up
18 here. We're going from 300 to 315 in 11, 300 to 325 in FY12, and so, yes, you may raise
19 the guidelines up to, say, 315, 325, maybe even 330, but you can see the difference, then,
20 is not gonna be so great, and then finally-- I mean, that really reconciles the CIP as it is,
21 but I do point out on page 7 that if you are trying to free up more money for the operating
22 budget, another opportunity you have is to defer up to about \$3.3 million in spending in
23 the Montgomery County College I.T. project. The reason why I'm singling that out is
24 because it's a form of current revenue and the school system's I.T. project, you have hit by
25 \$2.3 million in FY10, actually by smaller amounts in 11 and 12, as well, and in the county's
26 I.T. project, you didn't reduce that, but you also said that the agencies--the departments
27 are going to save 1.8 million or so, almost 1.9 million in MC 3-01 ????? based on those
28 expenditures and basically gonna be depending upon them to absorb that. There isn't
29 anything comparable to that in the college, and the proposal here is not to delete money
30 from the project, but to defer from FY10 to FY11, so right now, that project is 8 1/2 million
31 a year. If you defer, say, \$2 million, that means it'll be \$6 1/2 million in 10 but 10 1/2
32 million in 11 and then back to 8 1/2 million in 12 and 13, depending on how much you
33 want to go that way, and that's about a wrap, so thank you.

34
35 COUNCIL PRESIDENT ANDREWS:

36 Thank you, very good. Councilmember Floreen.

37
38 COUNCILMEMBER FLOREEN:

39 Thank you. Glenn, on page 7 in summarizing contribution to the operating budget that this
40 achieves, you say, basically, it will produce a net contribution of about 1.4 million. Is this



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1 different from the information we had yesterday? I thought I saw \$1.9 million bond
2 number.

3
4 GLENN ORLIN:
5 Well, here's the--

6
7 COUNCILMEMBER FLOREEN:
8 Is this the same? Is this in addition to that, or--

9
10 GLENN ORLIN:
11 No. It's the same. What is was is actually, there's \$1,629,000 which is freed up in 09 in
12 current revenue, so the starting reserve for FY10, we go up by 1,629,000. On the other
13 hand, for current revenue to be balanced in the CIP, we actually need \$230,000 from the
14 operating budget, if you will, so that's an offset. So, the net between-- It nets out at
15 1,399,000.

16
17 COUNCILMEMBER FLOREEN:
18 This is the correct number, then, not the 1.9. OK. Thanks.

19
20 GLENN ORLIN:
21 Correct.

22
23 COUNCIL PRESIDENT ANDREWS:
24 All right. There are no other lights. You've done another very thorough job in reconciling
25 this. Thank you very much, and...

26
27 COUNCILMEMBER FLOREEN:
28 I move approval.

29
30 COUNCIL PRESIDENT ANDREWS:
31 Councilmember Floreen moves approval, second by Councilmember Ervin. All those in
32 favor, please raise you hand, and that is approved unanimously. Thank you very much.
33 Thank you, everybody. That's it for the morning. That is it for the day in terms of an official
34 Council meeting.